



“Jagran Prakashan
Q2 & H1 FY2019 Results Conference Call”

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ANALYST: MR. VIKASH MANTRI – ICICI SECURITIES

**MANAGEMENT: MR. SHAILESH GUPTA – DIRECTOR OF MARKETING –
JAGRAN PRAKASHAN
MR. R. K. AGGARWAL – CHIEF FINANCIAL OFFICER -
JAGRAN PRAKASHAN**



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Moderator: Ladies and gentlemen, good day and welcome to the Jagran Prakashan Q2 and H1 FY2019 Results Conference Call hosted by ICICI Securities Limited. As a reminder all participant lines will be in listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing “*” then “0” on your touchtone phone. Please this conference is being recorded. I now hand the conference over to Mr. Vikash Mantri from ICICI Securities. Thank you and over to you Sir!

Vikash Mantri: Good morning everybody. We at ICICI Securities are pleased to host the Q2 FY2019 Conference Call of Jagran Prakashan Limited. We have with us the senior management of the company represented by Mr. Shailesh Gupta, Director of Marketing and Mr. R K Agarwal, CFO. Over to you Sir for initial remarks!

RKA: Thanks. We welcome you to the conference call for the quarter ended September 30, 2018. The results have been before you and there is nothing much to say; however, we like to bring to your notice following which could address some of the questions in your mind. Number one, de-growth in advertisement revenue for Q2 as well as H1 is primarily on account of following reasons.

- i) shift of the festive season from Q2 to Q3,
- ii) steep decrease in central government spend, automobile sector and education sector, which constitute nearly 42% of the total revenues for us. The government’s policy to stop publication of tender advertisement is one reason for lower government spends and it is likely to continue. As far as other government advertisements are concerned, there does not seem to be any specific reasons except that government seems to have cut the discretionary spend due to mounting fiscal deficit. General elections may see government spend more in H2, but there is lack of visibility. Loss in revenue from automobile sector will get compensated to some extent in H2 due to festive season, but the stress on the sector has made them spend less particularly in Q2

Education sector is not going to remain a growth driver as hitherto primarily because many of the higher education colleges have closed down and employability of the students passing from these colleges is an issue. We also declined to a few the advertisements due to non -payments and this also caused degrowth in education sector. Having said that positive is state government increased its spend in Q2 and posted double digit growth.

Number two, the conflicting data such as growth and tax collection coupled with ground reality clearly show that the consumer appetite for discretionary spend is not there in general, which does not augur well for the industries dependent on discretionary spend. Of course, ensuing elections and festive season, which is reported to be not as good so far as was expected, will compensate for some revenue loss of H1 and we are likely to close the year with some growth; however, the expectations of growth indicated in the beginning of the year or even till three months ago are not likely to translate into reality due to an unexpected headwinds at macro level.

However, we reiterate that H2 is going to be better than H1.

Friends , everything was not bad and now we would also like to share a few positives, which are as follows.

- i) Naidunia's robust performance in terms of advertisement revenue growth of 9% for Q2 driven by growth of 38% in local revenues. For H1 overall growth for them was 4.75% and growth in local revenues was 29%. Let me add here even for Dainik Jagran there has been a growth in local advertisement revenue in Q1 as well as in Q2. Here, pain point was national market which will recover in festive season to some extent.
- ii) Radio revenues grew by more than 15% if we adjust it for the festive season. Radio also improves its margins by 120 basis points to cross 33%, which is ahead of our expectation. Their net profits would have been higher, but for the higher tax , which resulted in tax rate of nearly 40% as against normal tax rate of 32%. This happened due to encashment of long-term investments for the purpose of buyback.
- iii) Digital platform has been further strengthened by launching HerZindagi English for the English audiences of lifestyle/women segment. Its revenues have grown by 35% on YOY basis and 30% for first half as against negligible growth or degrowth reported by other two peers who were having much more revenues a couple of years ago than what we had. Digital continues to have minimal loss, which is in the nature of investment and all our digital properties have nearly 40 million unique users with a growth of nearly 25% and 25 million Facebook fans. In fact, digital was the best performing business for the Q2 as well as for H1.
- iv) To meet the increased newsprint cost, significant increase in cover prices was affected for all major newspaper brands without compromise with the market position. In case of Dainik Jagran and Punjabi Jagran, per copy realization improved by nearly 20% whereas in case of Naidunia it improved by 13%. We

also expect some fall in newsprint prices going forward benefit of which we will see primarily in Q4.

v) to overcome the challenges posed by the economic environment and recover the loss of revenues from certain sectors such as above, we took a number of marketing initiatives. Impetus was given to SME and retail sector focused marketing, which helped register high double digit growth in sectors like retail and lifestyle. In fact, there was growth in local revenues in Q2 as well as whole of H1 in which it increased its share from 54% to 61% on YOY basis.

vi) The quarter suffered a loss of Rs.3.5 Crores due to exchange fluctuation and Rs.2 Crores loss on account of MTM losses, which were also responsible for reducing the net profit and have nothing to do with Company's performance.

Friends, even if it is difficult to guide for remaining financial year, let me reiterate H2 seems to be far better than H1 and the month of October has posted growth in the range of about 8% to 10% even in case of print advertisement revenue.

We thank you for your patient hearing and request you to proceed with your further questions. Thank you.

Moderator: Thank you very much Sir. Ladies and gentlemen, we will now begin the question and answer session. Ladies and gentlemen we will wait for a moment while the question queue assembles. We have a first question from the line of Abneesh Roy from Edelweiss Financial Services. Please go ahead.

Abneesh Roy: Sir. Thanks for the opportunity. My first question is on the newsprint pricing what is your take, we have seen crude oil prices crashed by 18% from the peak, of course the newsprint is a different commodity, but in the past we have seen some linkage, so what would be your take next one year, would you expect a sharp fall based on current understanding?

RKA: You are absolutely right. In fact, the prices have fallen a bit and as I mentioned in my opening remarks we would see a positive impact in Q4. Going forward further fall I do not think we should predict.

Abneesh Roy: Have you cut down on your inventory levels because now prices have started falling?

RKA: Yes whatever inventories we have as of September 30, 2018 that could be good enough for one-and-a-half months and in fact some benefit will come in the third month of this quarter as well.

Abneesh Roy: Sir what have you done proactively, this is the pricing aspect in terms of say circulation copies and pagination, if you could take us through what are the steps you have taken, what are the steps the competition has taken because that is also equally important?

RKA: Yes, wherever we have taken the increase in cover prices we have done it with the competitors only. In fact, may be, we have taken in some places actually higher increase in cover prices than our competitors depending on our market position, but then whatever resulting loss in circulation has happened that is more or less on the line of fall what competitors have registered; so you maintain your market position that is something, which was kept in our mind and this is why we did not increase any cover price in Bihar/Jharkhand

Abneesh Roy: And Sir how do you arrive at that number, how much circulation you have to cut because that can at some stage start impacting the advertising revenue?

RKA: This is what I am saying Abneesh. If you slip down in your market position say from 1st to 2nd or 2nd to 3rd then only it will impact. So, whenever we were taking the increase in cover prices to the extent of 20%----- even now what is our per copy realization, even now our per copy realization is less than 3 and this is not something, which is exorbitant ---- we never expected the fall to be such that would destroy our fortunes for the advertisement revenue. It was expected that there would be some fall in some places because it happens. Yes in some cases it was slightly more than what we expected, but that is not worrying because we are maintaining our market position and whenever that extra fall is required to be compensated we can very well increase the circulation and we can compensate that. So yes whenever we take the increase in cover prices we estimate certain loss in circulation and only then we do; we never compromise with the market position, we never compromise the medium term to long-term objects for the short-term gains.

As you know, Jagran has always been working on taking increase in cover prices right, so we are looking at the current times good for the industry. If we all become sensible and if we try to increase the cover prices to the reasonable levels, that is going to be good only for the industry because revenues from circulation as you know are not dependent on the economic environment like advertisement revenue. For example look at Inquilab what we sell in Mumbai. We sell it at decent price I think Rs.6 to Rs.7 and that is 12 page newspaper. Whenever we have taken the increase in cover price, the circulation drops but then again it recovers in a month or two months' time, so what we believe is Indian readers are price sensitive, Indian consumers in general are price sensitive to that extent, but then

in case of newspaper probably they are less price sensitive . It is publisher who has to take a stand and proceed.

Abneesh Roy: And Sir one follow up here, how does the circulation cut happen, how much percentage cut you have taken, so you just curtail the supply is it, does not it impact the brand suddenly if the supply is not there?

RKA: Again as I said , fall is not to the extent that it will impact the brand; you are selling 5 million copies as against 5 million copies if you sell 4.4 million copies for sometime how does it make difference particularly when your competitors too experience fall.. You know advertiser also has to understand that if they are not in position to give the rate hike what at least inflation demands then they should be happy with some lesser exposure.

Abneesh Roy: Sir last question on Bihar, so you have cut your copies in your core market or UP, in Bihar on the other hand we have seen DB Corp become very aggressive, so have you lost market share there and second here your aggression has it matched DB Corp's aggression in terms of copies?

RKA: See that aggression which you talk about I am really not able to figure out. If the publicity is the way to demonstrate the aggression yes they are, but as far as the newspaper sale is concerned where is the aggression. They have expanded to territories where we were already there. Those are not the areas, which were giving us bucket full of revenues and we have been there for so many years, Hindustan has been there for so many years and if somebody is expecting fortunes changing from those areas right for the whole of the company I am sorry. In fact anybody who believes that in any of location the so-called aggression has reduced our market position or has impacted our market position or Hindustan's market position, he is mistaken .

Abneesh Roy: So you have not lost market share in advertising and circulation?

RKA: Abneesh you would understand whenever a third player would come , incumbent will lose some share in that market because it is mathematical a reality which no one can change. But, the point is earlier if market was being catered by two players and it was 50:50 and now the third player has come in and even though they get just 10% share, our shares will get reduced to 45:45 but how does it make difference, For example, X comes there, so Bhaskar will also lose share, after X supposing another one comes X too will lose share. However, if you think that the in areas where they have expanded , they have become

number one, we have become number three, Hindustan has become number two, so I think that is something, which is not going to happen, which has never happened.

Abneesh Roy: I take your point on the market share bit my question was beyond that, my question was if you have become say number three as per the claim by DB Corp from number two?

RKA: That is what I am saying, according to the publicity we could be number three in whole of the country, but the fact is we are not number three, we are number one and that since 2003 without break. So, I am not going by what DB says and I am not going by whosever, whatever is said by whosever, I am going strictly by the ground reality and I am going strictly by the numbers. Only time will tell and the readership data will tell you where we stand .

Abneesh Roy: Understood Sir. That is all from my side.

Moderator: Thank you Sir. We have next question from the line of Depesh Kashyap from Equirus Securities. Please go ahead.

Depesh Kashyap: Thank you for the opportunity. Sir clearly Naidunia's and DB Corp's performance suggest that the MPCG market was more buoyant than others may be due to upcoming state elections, can you give some colour on the advertising trends you are seeing other markets like how Bihar and UP are there are any growth or are they declining?

RKA: Local revenues have grown in Q1 as well as in Q2, the biggest market for us in local market is Central UP and NCR, which has grown by 11% in Q2 despite the shift of the festive season. Bihar, Jharkhand yes we registered degrowth, but we will catch it up, that degrowth is not something, which is upsetting for the simple reason the festive season got shifted and that is not very steep degrowth, I was just clarifying the point to Abneesh therefore I said there is a degrowth in Bihar, Jharkhand and if the festive season was there then there would have been a growth may be 3%, 4%, but it is not as good as Central UP and Bihar.

Depesh Kashyap: Sure Sir.

RKA: So that is one point. You will be happy to know Punjab outperformed other major markets like Bihar, Jharkhand; this time they reported a growth of 7%. In MP, Chhattisgarh Naidunia recorded a growth of 9% in Q2 and if October is an indication then in that case they will be probably in Q3 growing at a rate, which can surprise anyone and everyone including the management.



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Depesh Kashyap: Secondly on Bihar you gave a very detailed explanation to the previous caller, but just one question I have that Hindustan talked about higher marketing promotional spends to counter competition in that market, so are we thinking on the same lines and our margins are going to be impacted due to that?

Shailesh Gupta: We did whatever was required to be done, of course with prudence to protect our market position, right, but we cannot compete on certain practices that is something, which Jagran has never done.

Depesh Kashyap: So going forward the marketing spends are not going to be as high as they have already been, so that is what you are guiding?

RKA: Marketing spend we have different view altogether on that, when people are not spending on us for marketing or for publicity then why should we also spend, let us focus more on our distribution channel, let us focus more on our product but if it is required we do and we have done.

Depesh Kashyap: Sir lastly on the newsprint prices in the last call if I remember correctly you said you have an agreement for entire year on the newsprint prices?

RKA: That is right.

Depesh Kashyap: So if the newsprint prices you are guiding that it will fall in Q4 will we see any fall in spite of that?

RKA: Luckily, we have only 20% to 25% consumption of imported and of course, for imported we may not be able to cut the prices, but since we consume 75%-80% indigenous there we will have saving and more importantly what I was apprehending in the beginning of the year there will not be any fall in the newsprint prices, it has happened and is very positive. Number two we were struggling to get the indigenous newsprint quantity now that has also started becoming available, so these two are positive for players like us.

Depesh Kashyap: Understood Sir. Thank you and all the best.

Moderator: Thank you Sir. We have a next question from the line of Yogesh Kirve from Batlivala & Karani Securities India Private Limited. Please go ahead.

Yogesh Kirve: Thank you for the opportunity. Sir if you look at the print growth for the quarter, so is it possible for you to comment what would have been growth if we exclude the festive



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advertising from the base year quarter similar to what you have done in case of radio you told us about what are the growth on like-to-like basis, so can you share that?

RKA: **If we** adjust the second quarter revenues for the festive revenues, even then there would have been some degrowth, but for the first half there would not have been any degrowth, if currently the degrowth is 7% it would have gone down to probably 1%-2% or may be flat.

Yogesh Kirve: Understood.

RKA: It is not only the festive revenues. As I mentioned, automobile also spent much less than what they spend normally because the sector itself is in a stress. See Maruti reporting losses first time in 18 quarters in Q2. There were fewer launches in the current year, which all put together made automobile spend much less than what they should have and central government spend, which had got nothing to do with the festive season, was another issue. Automobile will get compensated as I mentioned in my opening remarks a bit in the second half, but not fully.

Yogesh Kirve: Right that is usual.

RKA: So this is why again I have also mentioned in my opening remarks there are a few markets, which are doing very well- number one, then election, then state government spend picking up, then festive season and new marketing initiatives what we took that have started showing the results should make H2 better ; so not that everything is bad, there are few positives, which I just mentioned.

Yogesh Kirve: Sir you mentioned that in the month of October we have seen sort of an 8% to 10% growth, so what are your expectations, can this growth continue in the coming months at this rate?

RKA: Again as I mentioned central government happens to be very, very key contributor. As I mentioned central government education and automobile these three sectors constitute nearly 42% of our total revenues which have not done well. So as far as commercials are concerned we expect in Q3 at least 10% to 12% growth because in the first half it was not the local, it was the national market, which was laggard and they have increased their spend in October. I am talking about vehicles, white goods, etc.

Yogesh Kirve: Right Sir. Thanks for this and Sir my second question is pertaining to the per copy realization increased by 20% I understand you spoke more about Jagran and Dainik Jagran and Punjabi Jagran, so on the overall basis what would have been the realization growth in this quarter on YoY basis?



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- RKA:** Jagran itself constitutes about 85% of the circulation revenue.
- Yogesh Kirve:** If I look at on the overall basis if realizations are up by something like 17%, 18% or 19%, but our circulation revenue growth has been about 5%?
- Shailesh Gupta:** That is not right to derive any drop from that because I have already broadly indicated the circulation drop right, beyond that let us not discuss that point please.
- Yogesh Kirve:** Sure.
- RKA:** I can assure you only one thing that is our market position remains intact irrespective of so-called aggression in Bihar or UP or Punjab . Wherever we are, we remains same what we were.
- Yogesh Kirve:** Right and Sir when we talk about the increase in the raw material cost on YoY basis, it was on the good control at about 10%, so was there any pagination or 31:23_____ related measures?
- RKA:** We went on doing everything e.g it was held by drop in circulation, it was held by rationalization of page levels, it was held by waste control, etc., etc., so that is why you see only 9% to 10% impact. As you have known Jagran, Jagran has always been prudent to time the expansion right. Whenever there is a right time, whenever there is a visibility of revenue, we start expanding ourselves right, but whenever there is a lack of visibility we do not indulge ourselves in an unnecessary expansions results of which are unknown and people never know when the results will come; so this is what saved us. In order to demonstrate the aggression, we could have burnt newsprint of Rs.30 Crores and come to tell you we have increased our circulation by about 20%, but we know that 20% circulation is not going to help us, add our revenues even by Rs.1. That is the problem with this industry. People go after that old traditional belief that there is a time lag between advertisement revenue and circulation growth, go on investing in circulation growth and then advertisement will come. If one cares to look at the data one would find this belief to be good till the cover prices were okay, but no longer that is good as advertiser is not sure whether newspaper is read or sold as raddi as cover prices are less than raddi value in today's time in the name of aggression, which to us is a sheer waste.
- Yogesh Kirve:** I appreciate that and Sir finally in the preceding call you have sort of indicated that the YoY increase in the raw material cost in the coming quarters would be about 12% to 13%?
- Shailesh Gupta:** Sorry.



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- Yogesh Kirve:** What you indicated in the previous call that the YoY increase in the raw material cost would be about 12% to 13% ballpark, do we still expect that in light of?
- RKA:** It would be less now because I was never thinking that newsprint prices will fall.
- Yogesh Kirve:** So the increase that we are seeing in the second quarter could that be a representative for second half?
- RKA:** No, because the benefit of the fall in prices is yet to come.
- Yogesh Kirve:** Sure Sir. That is all from me. Thanks a lot and all the best.
- Moderator:** Thank you Sir. We have the next question from the line of Vivekanand Subbaraman from Ambit Capital. Please go ahead.
- V Subbaraman:** Thanks for the opportunity. On the digital business, you highlighted in earlier call also that you seemed to be growing while others are seeing growth moderation or decline even, what are the key reasons for your growth in this challenging environment for independent digital platforms and what are the key factors, why you believe that your growth is sustainable and also can you talk a little bit about your traffic, how much of it is directly on your website and app and how much comes from Facebook that it will be helpful? Thank you.
- RKA:** Last question I do not have details, so I will not be able to address. Now second question from last that is the sustainability of this kind of a growth. Of course, I do not expect this kind of growth going forward on a sustainable basis. Now what we have done right, which is getting higher growth is of course our strategy and our focus. These seem to be giving the results beyond our expectations and as I indicated in Q1 also I will not be surprised if in Q4 we report some profit even from digital business. Do you know about two - three years ago, our peers had much larger digital revenues than what Jagran had and that was the time when we started rolling out our strategy, which is now working in our favour.
- V Subbaraman:** Just a followup there. Your unique visitors on Jagran.com remained in the 30, 35 million range?
- RKA:** All Jagran properties have now 40 million unique users.
- V Subbaraman:** How does it compare on a year-on-year basis?
- RKA:** 25% growth.



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- V Subbaraman:** So you are saying that because you were able to attract more traffic to your website, you were able to monetize?
- RKA:** Not only that, these numbers will get monetized only in times to come whatever we have monetized is the number what we had earlier . There was a lot of scope for all of us to increase rates.
- V Subbaraman:** Alright. Thanks. All the best.
- Moderator:** Thank you Sir. We have next question from the line of Jai Doshi from Kotak Securities. Please go ahead.
- Jai Doshi:** Thanks for the opportunity. I believe there has been a couple of questions, earlier participants have asked questions on newsprint; however, I was wondering if you could quantify in terms of what was the average newsprint sort of rate in terms of rupee per tonne or rupee per kg that you incurred in 2Q FY2019 and what is the spot price today assuming the same mix of newsprint that you use and what kind of inflation are you expecting from Q3 levels in Q3 and Q4?
- RKA:** As I mentioned in Q3, Q4, Jai will not have any increase in the average rates what we had in September quarter, it was around Rs.44.
- Jai Doshi:** Understood and then how should we think about your absolute raw material cost, will it be just marginally higher in Q3 versus Q2 levels assuming that usually the pagination is higher in December quarter?
- RKA:** In December, we will consume more newsprint because of more advertisements, so it will be slightly more than Q2.
- Jai Doshi:** If for the next two quarters you are expecting Rs.44, what is the spot rate today if you were to buy the same newsprint mix then what would be the spot price?
- RKA:** These details I do not have because drop in newsprint prices is still under negotiation and we expect at least 7% to 8% fall.
- Jai Doshi:** So that 7% to 8% will be from 44 levels or you think the current spot rate is much higher than 44, so 7% to 8% corrections bring it to 44?
- Shailesh Gupta:** Current is higher.

- Jai Doshi:** Understood. That is helpful. Thank you so much.
- Moderator:** Thank you Sir. We have next question from the line of Gaurav Agrawal from E&R Advisors Private Limited. Please go ahead.
- Gaurav Agrawal:** Gaurav Agarwal this side. Just few questions, two, three months of quarters back local was the one, which was giving us a stress, now local segment has sort of turnaround for us and the national ones are giving us problems, so can you help us understand the on ground situation how, what has changed locally that the segment has started giving you growth and what has changed at the national level, which has become a problem?
- RKA:** As far as local revenues are concerned, as I mentioned they registered growth in Q1 as well as in Q2 and for both the quarters also they have a growth, so although it is lower for the reasons, which we have discussed and it is going to pick up in the festive season. What I can say about the local revenue is push for sale of inventory, which has got piled up but national market was down for the reason that they were passing on the sale to the retailers, dealers, etc and therefore there was no pressure on them of sale but festive season has seen them spend more, because for them this is the last opportunity to have real solid growth.
- Gaurav Agrawal:** Sir, it could be because of base also because last Q2 was pretty bad so whatever growth we are seeing it could be because of base also, what I am trying to understand is there any structural meaning to this growth?
- RKA:** There is no structural change seen or felt . What has happened is due to macro-economic scenario. On the one hand, we are talking about GDP growth, on the other hand we report lower income tax collection. We report this 11% growth, which we have recorded in central UP and NCR but this is because of new initiatives, which we have taken. Do you know there is a 20% degrowth in tax collection in UP, there is a degrowth in Bihar, there is a de-growth in Rajasthan. What these suggest?
- Gaurav Agrawal:** Okay.
- RKA:** There is no structural change as such, you have to ask me what is the structural change that is lower spend by central government and in that stopping the tender advertisement.
- Gaurav Agrawal:** Got it.



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- RKA:** In fact we are fighting with the government. Now since they have reduced the volumes they should increase our rate because their rates are still poor, our industry body is fighting with the government. Our CMD himself is talking to the government.
- Gaurav Agrawal:** Sir just last question, the central UP and NCR would be what percentage of your print advertising revenue?
- RKA:** Out of the total, 61% is local revenue.
- Gaurav Agrawal:** When you say local it means central UP and NCR right?
- RKA:** No, for us local is all those 11/12 states where we operate from. Central UP and NCR should be constituting nearly 35%, 40% of the local revenue.
- Gaurav Agrawal:** Across the local revenue, got it.
- RKA:** Nearly 25% to 30% of the total revenue should be coming only from this. Central UP includes Kanpur and Lucknow which are the two major towns
- Gaurav Agrawal:** Just last followup on this. 60% is local of that 60% you said 30%, 35% is these areas central UP and NCR, how is the remaining 60% of local has done in the quarter?
- RKA:** As I mentioned Punjab recorded a growth of 7%, Jharkhand registered some degrowth, so degrowth was not very highly unexpected because festive season got shifted. Growth is something, which is very commendable, eastern UP also had some degrowth, which is again very important area for us, western UP also had some growth. In local market, whichever area has reported growth exceeding 6%- 7% despite shift of the festive season is very- very incredible.
- Gaurav Agrawal:** National is what percentage, national has grown or degrown by what percentage for Q2?
- Shailesh Gupta:** Q2 that has degrown very, very significantly.
- Gaurav Agrawal:** No problem. All the best Sir. I hope next quarter we report better numbers based on Diwali and other festival seasons and Happy Diwali to you Sir.
- Shailesh Gupta:** Thank you very much. Same to you.



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- Moderator:** Thank you. We have next question from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.
- Sarvesh Gupta:** Are we seeing any interesting acquisition opportunity in this environment?
- Shailesh Gupta:** Sorry.
- Sarvesh Gupta:** Are we seeing any interesting acquisition opportunity in this environment wherein the performance of all print companies has gone for a task?
- RKA:** We are always looking for inorganic growth opportunity and still we are looking at some opportunities, which have come to us..
- Sarvesh Gupta:** Nothing which you are seeing that can materialize in the near term?
- Shailesh Gupta:** Sorry.
- Sarvesh Gupta:** Nothing that if you can materialize in the near term?
- RKA:** Yes let us keep our fingers crossed. In fact, we are very keen to do the acquisitions in radio space, but one, which we tried and which we thought would get completed maybe in couple of months is still stuck up with the government.
- Sarvesh Gupta:** Understood Sir and secondly since you mentioned that in your core markets you have registered a growth of 10%, 11% and given that your core markets may be 60%, 70% of your business and still gets in an overall fall, which would be a very steep fall in your revenues in Bihar and Jharkhand, so is that reason right?
- Shailesh Gupta:** I am not giving you breakup of total -----where the growth has come and growth has not come. We have about 11 states. We have talked about only three or four, so let us not attribute the entire degrowth to Bihar and then let us not try to conclude that it is because of Bhaskar's expansion. There is no correlation with that, but Bihar, Jharkhand has degrown there is no doubt about it and I have clarified that it is not something, which worries us because we operate in West Bengal also, we operate in Haryana also, Haryana has had no growth, it was flat. We operate in what you call Jammu also, we operate in Himachal also. Some de-growth is attributed to shift of festive season.
- Sarvesh Gupta:** No, I was thinking that your core market that you mentioned, which is UP?



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Shailesh Gupta: When I say 61%, it is some total of all these markets I talked about local revenues, we have not said that 61% revenue comes only from Bihar, Jharkhand, NCR and Central UP, what we have said is nearly 25% to 30% comes from Central UP and NCR, which has given growth of about 11%, so even though that has 11% of 25%, 30% is what 2.5% to 3% of the total growth.

Sarvesh Gupta: Understood and finally on the newsprint prices, you mentioned a figure of 44000, which was existing prior and now expecting to see 7% to 8% fall from that level, so that is going to benefit us in Q4, so that is the expectation right that Q4 in next year we will have Rs.42 per kg kind of?

Shailesh Gupta: Right.

Sarvesh Gupta: Understood.

Shailesh Gupta: And in case if it falls further there will be still happier times.

Sarvesh Gupta: And then in terms of copy Sir, what can be the expectation for coming year and next financial year?

Shailesh Gupta: We are living in so uncertain environment what should be copy next year that would all depend how the competitors behave and by the yearend where do we stand. Suppose Q3-Q4 start giving us a lot of revenues, we again become cash rich then there are a few of us who can become insensible, who can start dropping the cover prices, who can start throwing the copies to waste and in that case being afraid of answering the question why we have lost market share we may also do some insensible things,

Sarvesh Gupta: Understood Sir and given that even we have an acquisition opportunity we can always lever up given that we have so much of cash, so the process of disbursing the cash out to the shareholders in terms of dividends that is expected to continue in the coming year as well Sir?

RKA: Jagran is the only company probably in midcap space, which has distributed since listing in 2006 nearly Rs.1500 crores to the shareholders.

Sarvesh Gupta: So that is expected to continue?

RKA: Yes, we do not want to keep cash with ourselves.

- Sarvesh Gupta:** Thank you Sir and congratulations and Happy Diwali to you.
- Shailesh Gupta:** Same to you. Thank you very much.
- Moderator:** Thank you Sir. We have next question from the line of Rohit Dokania from IDFC Securities. Please go ahead.
- Rohit Dokania:** Good afternoon. Thank you for the opportunity. Just two questions from my side Sir. Could you talk about how should one look at sort of margins in H2, so obviously Q2 margins was greatly impacted, but Q1 we are at 21%, do you think on an H2 basis we can maintain it around H1 levels?
- RKA:** It should improve, 21% and we expect to improve to reach at least 23%- 24% easily for the whole of the year.
- Rohit Dokania:** Which means H2 margins will have to be somewhere in the range of 26% or 27%?
- RKA:** Yes.
- Rohit Dokania:** Which you think is achievable despite sort of outlook not being all that great?
- RKA:** Yes.
- Rohit Dokania:** Sure Sir and other was book keeping question if you can talk about the average number of copies for this quarter in terms of circulation?
- RKA:** Rohit, average number of copies for the quarter for competitive reasons I would not like to mention at this juncture because there is some drop in circulation. I can assure you only one thing that is our market position remains intact.
- Rohit Dokania:** Sure Sir, understood. Thanks a lot and wish you all the best.
- Moderator:** Thank you Sir. We have the next question from the line of Bhaskar Chaudhary from Entrust Family Office. Please go ahead.
- Bhaskar Chaudhary:** Mr. Agarwal, Mr. Gupta, 2013-2018, the company has grown revenue at a CAGR of about 8%, 2008 to 2013 you grew revenue at a CAGR of 15.5%, I agree with you that quarter-on-quarter, year-on-year data is noisy for the sector, but how are you viewing the next five,



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seven years for the basket of businesses that you have and how you are positioning the businesses to kind of grow or get back to the growth rate that you have seen earlier?

RKA:

Yes, now that is a very, very macro and broader question and very rightly you asked also. How do we think about it, let me share with you. We have currently three core businesses, one is print, another is radio, another one is digital.

As far as print is concerned, for the next five years we expect advertisement revenue to grow at a CAGR of 7% to 8% and what gives us this confidence let me also share with you. Despite everything going against the industry, the kind of recent growth what we have achieved due to new marketing initiatives that is one reason for confidence. We will keep working on new initiatives and we believe in partnering with the advertisers and that is what has helped.

We also believe in case of print advertisement that probably in times to come you need to help the advertiser through ground activations also and their Jagran stands at much better place as we already have an experienced event and activation team, which specializes in holding these events. Further, the brands like Naiduniay are yet to realize full potential. So with the support of these brands, there should not be an issue achieving 7% to 8% CAGR growth in advertisement revenue for the next five years and so long as it is happening we are more than happy and as I mentioned in the beginning of the year also I repeat if that kind of a growth is happening one could be very- very comfortable expecting a growth of at least 15% to 16% in operating profits year after year and since we have written down value method of depreciation, we will have lower and lower depreciation only going forward, so in effect our net profit should be increasing a little more than the growth in the operating profits that is about newspaper business.

Digital---, we are very, very cognizant of the importance of digital, but we have always maintained prudence in investing in this and which is what is paying and which is what is making us expect that in Q4 we may report some operating profit from digital and we could be first of those players who are in the news and current affairs space.

Radio is going to be a growth driver for the company for the next five years of course recording higher growth than print and since in size it is second biggest after print, so of course that is something, which will be providing the upside.

So these are the three businesses while I am not talking about outdoor, I am not talking about solution because they are very tiny in relation to the total turnover, but I would just



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tell you outdoor is not something, which we should going forward be taken lightly because outdoor, which suffers maximum whenever there is a downturn, has again reported for us some operating profit even in Q2. Solution we have to slightly improve and we are working on it although it has some loss, but it has expanded its topline and this year they should be doing Rs.35 Crores- Rs.40 Crores and outdoor is already reaching Rs.100 Crores

We have got a few very attractive outdoor properties and very remunerative properties in the current year as well, which will give us the revenue next year.

Bhaskar Chaudhary: Sure. Thanks.

Moderator: Thank you very much. Ladies and gentlemen that was the last question. I now hand the conference over to the management for closing comments. Over to you Sir!

Shailesh Gupta: Thank you gentlemen for being with us, very, very, Happy Deepavali and season's greetings to you all. We expect your support and hitherto and we commit ourselves to keep doing what you want us to do. Thank you once again.

Moderator: Thank you very much Sir. Ladies and gentlemen on behalf of ICICI Securities Limited that concludes this conference call. Thank you for joining with us. You may now disconnect your lines.